

**CITY OF SANBORN, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2007

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CITY OF SANBORN, IOWA**OFFICIALS**

Name	Title	Term Expires
(Before January 2007)		
Thomas Ginger	Mayor	January 2008
Duane Van Veldhuizen	Mayor Pro tem	January 2008
Edwin Visser	Council Member	January 2008
Tim Devitt	Council Member	January 2008
Ron Schott	Council Member	January 2010
Dennis Van Veldhuizen, Sr.	Council Member	January 2010
(After January 2007)		
Thomas Ginger	Mayor	January 2008
Duane Van Veldhuizen	Mayor Pro tem	January 2008
Edwin Visser	Council Member	January 2008
Tim Devitt	Council Member	January 2008
Ron Schott	Council Member	January 2010
Dennis Van Veldhuizen, Sr.	Council Member	January 2010
Jim Zeutenhorst	City Administrator	Appointed
Brian Pals	Clerk	Resigned February 2007
Candice Lyman	Deputy Clerk/Accountant	Appointed
Daniel DeKoter	Attorney	Appointed



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sanborn, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's primary government basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sanborn's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

These financial statements include financial data only for the primary government. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. Inclusion of financial data of the City's component unit would be required if the City intended to present financial statements in accordance with generally accepted accounting principles.

Business services that save you money:

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In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Sanborn, Iowa, as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2007 on our consideration of the City of Sanborn's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 20 through 21 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sanborn's primary government basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein), and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


CAMPBELL, HIGGINS & MUMMERT, P.C.
Certified Public Accountants

September 12, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sanborn provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Total receipts increased 7%, or approximately \$300,000, from fiscal year 2006 to fiscal year 2007.
- Total disbursements increased 5%, or approximately \$214,000, from fiscal year 2006 to fiscal year 2007.
- The City's total cash basis net assets increased 16%, or approximately \$354,000, from June 30, 2006 to June 30, 2007. Of this amount, the net assets of the governmental activities increased approximately \$223,000 and the net assets of the business type activities increased by approximately \$131,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, gas, sewer rental and solid waste collection systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment, and Local Option Sales Tax and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, gas, sewer rental and solid waste collection funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased approximately \$223,000 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)			Year Ended June 30,	
			2007	2006
Receipts and Transfers:				
Program Receipts:				
Charges for Services -----	\$	203	\$	202
Operating Grants, Contributions and Restricted Interest --		17		226
Capital Grants, Contributions and Restricted Interest ----		267		237
General Receipts:				
Property Tax -----		601		583
Local Option Sales Tax -----		111		87
Grants and Contributions Not Restricted				
to Specific Purposes -----		73		47
Unrestricted Interest on Investments -----		50		34
Miscellaneous -----		42		8
Sale of Assets -----		48		18
Note Proceeds -----		720		-
Transfers, Net -----		47		99
Total Receipts and Transfers -----		<u>2,179</u>		<u>1,541</u>
Disbursements:				
Public Safety -----		325		156
Public Works -----		193		158
Health and Social Services -----		-		-
Culture and Recreation -----		663		263
Community and Economic Development -----		110		116
General Government -----		116		109
Debt Service -----		523		214
Capital Projects -----		26		430
Total Disbursements -----		<u>1,956</u>		<u>1,446</u>
Increase (Decrease) in Cash Basis Net Assets -----		223		95
Cash Basis Net Assets Beginning of Year -----		<u>1,137</u>		<u>1,042</u>
Cash Basis Net Assets End of Year -----	\$	<u>1,360</u>	\$	<u>1,137</u>

The City's total receipts and transfers for governmental activities increased by 41%, or approximately \$638,000 due mainly to an increase in note proceeds of \$720,000 in the current year.

The total cost of all programs and services increased by approximately \$510,000, or 35%, due to several factors including the construction of a new library and payoff of bonds in the current year and the substantial completion of storm sewer improvements in the prior year.

There were no significant changes in property tax rates for the current year and no significant changes are budgeted for next year.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2007	2006
Receipts:		
Program Receipts:		
Charges for Services:		
Water -----	\$ 198	\$ 191
Gas -----	1,624	1,957
Sewer Rental -----	402	487
Solid Waste Collection -----	91	81
Capital Grants, Contributions and Restricted Interest -----	-	-
General Receipts:		
Unrestricted Interest on Investments -----	35	26
Note Proceeds -----	-	2
Sale of Assets -----	5	-
Total Receipts -----	<u>2,355</u>	<u>2,744</u>
Disbursements and Transfers:		
Water -----	190	212
Gas -----	1,506	1,800
Sewer Rental -----	400	380
Solid Waste Collection -----	81	81
Transfers, Net -----	47	99
Total Disbursements and Transfers -----	<u>2,224</u>	<u>2,572</u>
Increase (Decrease) in Cash Basis Net Assets -----	131	172
Cash Basis Net Assets Beginning of Year -----	<u>1,035</u>	<u>863</u>
Cash Basis Net Assets End of Year -----	<u>\$ 1,166</u>	<u>\$ 1,035</u>

Total business type activities receipts for the fiscal year were \$2.355 million compared to \$2.744 million last year. This overall decrease was mainly due to a decrease in gas receipts of approximately \$333,000. Total disbursements and transfers for the fiscal year were \$2.224 million compared to \$2.572 million last year. This overall decrease was mainly due to a decrease in gas fund disbursements of approximately \$294,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sanborn completed the year, its governmental funds reported a combined fund balance of approximately \$1,360,000, an increase of approximately \$223,000 over last year's total of approximately \$1,137,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased approximately \$345,000 from the prior year to approximately \$350,000. This decrease was mainly due to the construction of a new library building in the current year.
- The Road Use Tax Fund cash balance increased approximately \$15,000 from the prior year to approximately \$35,000.
- The Urban Renewal Tax Increment Fund cash balance increased by approximately \$523,000 from the prior year to approximately \$537,000. This increase was mainly the result of note proceeds of approximately \$720,000 received in the current year that hadn't been completely spent or transferred to other funds as of June 30, 2007.
- The Local Option Sales Tax Fund cash balance increased approximately \$21,000 from the prior year to approximately \$154,000. This increase was mainly due to a reduction in disbursements in the current year.
- The Debt Service Fund cash balance decreased by approximately \$35,000 from the prior year to approximately \$29,000. This decrease was mainly due to the transfer of special assessment collections to the general fund street department.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by approximately \$4,000 from the prior year to approximately \$219,000.
- The Gas Fund cash balance increased by approximately \$103,000 from the prior year to approximately \$764,000, due mainly to current year receipts and financing sources exceeding current year disbursements and financing uses.
- The Sewer Rental Fund cash balance increased by approximately \$12,000 from the prior year to approximately \$153,000.
- The Solid Waste Collection cash balance increased by approximately \$10,000 from the prior year to approximately \$30,000 due mainly to an increase in charges for services.

BUDGETARY HIGHLIGHTS

The City of Sanborn had a budget amendment which was approved on May 14, 2007. The amendment provided for a total of \$187,500 of additional disbursements in certain City departments. The amendment also provided for a total of \$155,000 of additional receipts.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$2,417,000 in bonds and notes, compared to \$2,232,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2007	2006
General Obligation Bonds and Notes -----	\$ 1,085	\$ 835
Revenue Bonds and Notes -----	1,332	1,397
Total -----	<u>\$ 2,417</u>	<u>\$ 2,232</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,085,000 is significantly below its constitutional debt limit of \$2,209,429.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and fees charged for various City activities. Those factors may include the economy, employment rates, operating expenses, capital projects, and increases in service and state mandates. Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2007 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices in 2007.

These indicators were taken into account when adopting the budget for fiscal year 2008. Total budgeted receipts are approximately \$3,645,000, budgeted net other financing sources are \$580,000 and budgeted disbursements are approximately \$4,629,000. If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$404,000 by the close of fiscal year 2008.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk, 102 Main Street, Sanborn, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF SANBORN, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - PRIMARY GOVERNMENT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Functions / Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Public Safety -----	\$ 325,424	\$ 44,467	\$ -	\$ 113,478	\$ (167,479)	\$ -	\$ (167,479)
Public Works -----	193,169	-	-	126,008	(67,161)	-	(67,161)
Health and Social Services -----	-	-	-	-	-	-	-
Culture and Recreation -----	662,809	148,776	13,743	-	(500,290)	-	(500,290)
Community and Economic Development -----	110,066	-	-	27,069	(82,997)	-	(82,997)
General Government -----	116,409	9,392	-	-	(107,017)	-	(107,017)
Debt Service -----	522,856	-	2,769	-	(520,087)	-	(520,087)
Capital Projects -----	26,337	-	-	-	(26,337)	-	(26,337)
Total Governmental Activities	1,957,070	202,635	16,512	266,555	(1,471,368)	-	(1,471,368)
Business Type Activities:							
Water -----	190,457	198,395	-	-	-	7,938	7,938
Gas -----	1,506,141	1,623,983	-	-	-	117,842	117,842
Sewer Rental -----	399,995	402,492	-	-	-	2,497	2,497
Solid Waste Collection -----	80,660	90,758	-	-	-	10,098	10,098
Total Business Type Activities	2,177,253	2,315,628	-	-	-	138,375	138,375
Total	\$ 4,134,323	\$ 2,518,263	\$ 16,512	\$ 266,555	(1,471,368)	138,375	(1,332,993)
General Receipts:							
Property Tax Levied For:							
General Purposes -----					145,139	-	145,139
Insurance -----					26,966	-	26,966
Tax Increment Financing -----					300,923	-	300,923
Debt Service -----					67,842	-	67,842
Employee Benefits -----					60,489	-	60,489
Local Option Sales Tax -----					110,846	-	110,846
Grants and Contributions Not Restricted to Specific Purposes -----					73,500	-	73,500
Unrestricted Interest on Investments -----					50,313	34,630	84,943
Bond Proceeds, Net of \$14,612 Discount and Fees -----					720,388	-	720,388
Miscellaneous -----					42,235	-	42,235
Sale of Assets -----					48,325	5,000	53,325
Transfers -----					47,358	(47,358)	-
Total General Receipts and Transfers					1,694,324	(7,728)	1,686,596
Change in Cash Basis Net Assets					222,956	130,647	353,603
Cash Basis Net Assets Beginning of Year					1,137,064	1,035,669	2,172,733
Cash Basis Net Assets End of Year					\$ 1,360,020	\$ 1,166,316	\$ 2,526,336

See Notes to Financial Statements

CITY OF SANBORN, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - PRIMARY GOVERNMENT (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Business Type		
	Governmental Activities	Business Type Activities	Total
Cash Basis Net Assets:			
Restricted:			
Streets -----	\$ 34,604	\$ -	\$ 34,604
Urban Renewal Purposes -----	536,932	-	536,932
Debt Service -----	29,482	100,736	130,218
Other Purposes -----	956	-	956
Unrestricted -----	758,046	1,065,580	1,823,626
Total Cash Basis Net Assets	\$ 1,360,020	\$ 1,166,316	\$ 2,526,336

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	General	Special Revenue						Total
		Road Use		Urban Renewal		Debt		
		Tax	Local Option	Tax Increment	Sales Tax	Service		
Receipts:								
Property Tax -----	\$ 172,105	\$ -	\$ -	-	\$ -	\$ 67,842	\$ 60,489	\$ 300,436
Tax Increment Financing Collections -----	-	-	-	300,923	-	-	-	300,923
Other City Tax -----	-	-	-	-	110,846	-	-	110,846
Licenses and Permits -----	2,025	-	-	-	-	-	-	2,025
Use of Money and Property -----	80,872	-	-	3,838	5,728	2,769	8,682	101,889
Intergovernmental -----	200,071	112,766	-	-	-	-	27,069	339,906
Charges for Service -----	147,033	-	-	-	-	-	-	147,033
Special Assessments -----	-	-	-	-	-	13,242	-	13,242
Miscellaneous -----	48,980	-	-	-	-	-	47,000	95,980
Total Receipts	651,086	112,766	304,761	116,574	83,853	143,240		1,412,280
Disbursements:								
Operating:								
Public Safety -----	290,538	-	-	-	-	-	34,886	325,424
Public Works -----	79,576	97,709	-	-	-	-	15,884	193,169
Health and Social Services -----	-	-	-	-	-	-	-	-
Culture and Recreation -----	648,592	-	-	-	-	-	14,217	662,809
Community and Economic Development -----	754	-	-	44,408	-	-	64,904	110,066
General Government -----	112,076	-	-	-	-	-	4,333	116,409
Debt Service -----	-	-	-	-	-	522,856	-	522,856
Capital Projects -----	-	-	26,337	-	-	-	-	26,337
Total Disbursements	1,131,536	97,709	26,337	44,408	522,856	134,224		1,957,070
Excess (Deficiency) of Receipts Over (Under) Disbursements	(480,450)	15,057	278,424	72,166	(439,003)	9,016		(544,790)
Other Financing Sources (Uses):								
Operating Transfers In (Out) -----	135,576	-	(476,115)	(51,499)	403,897	35,499		47,358
Note Proceeds -----	-	-	720,388	-	-	-		720,388
Total Other Financing Sources (Uses)	135,576	-	244,273	(51,499)	403,897	35,499		767,746
Net Change in Cash Balances	(344,874)	15,057	522,697	20,667	(35,106)	44,515		222,956
Cash Balances Beginning of Year	695,034	19,547	14,235	133,384	64,588	210,276		1,137,064
Cash Balances End of Year	\$ 350,160	\$ 34,604	\$ 536,932	\$ 154,051	\$ 29,482	\$ 254,791	\$ 1,360,020	
Cash Basis Fund Balances:								
Reserved for Debt Service -----	\$ -	\$ -	-	\$ -	\$ 29,482	\$ -	\$ 29,482	
Unreserved:								
General Fund -----	350,160	-	-	-	-	-	-	350,160
Special Revenue Funds -----	-	34,604	536,932	154,051	-	254,791		980,378
Total Cash Basis Fund Balances	\$ 350,160	\$ 34,604	\$ 536,932	\$ 154,051	\$ 29,482	\$ 254,791	\$ 1,360,020	

See Notes to Financial Statements

CITY OF SANBORN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS - PRIMARY GOVERNMENT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Enterprise Funds			
	Water	Gas	Sewer Rental	Solid Waste Collection Total
Operating Receipts:				
Use of Money and Property -----	\$ -	\$ 385	\$ -	\$ 385
Charges for Service -----	198,395	1,623,598	402,492	90,758 2,315,243
Total Operating Receipts	198,395	1,623,983	402,492	90,758 2,315,628
Operating Disbursements:				
Business Type Activities -----	136,614	1,506,141	254,610	80,660 1,978,025
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	61,781	117,842	147,882	10,098 337,603
Non-operating Receipts (Disbursements):				
Intergovernmental -----	-	-	-	- -
Interest on Investments -----	6,435	22,990	4,861	344 34,630
Sale of Assets -----	-	-	5,000	- 5,000
Revenue Note Proceeds -----	-	-	-	- -
Debt Service -----	(53,843)	-	(63,665)	- (117,508)
Capital Projects -----	-	-	(81,720)	- (81,720)
Total Non-operating Receipts (Disbursements)	(47,408)	22,990	(135,524)	344 (159,598)
Excess (Deficiency) of Receipts Over (Under) Disbursements	14,373	140,832	12,358	10,442 178,005
Other Financing Sources (Uses):				
Operating Transfers In (Out) -----	(10,000)	(37,358)	-	- (47,358)
Net Change in Cash Balances	4,373	103,474	12,358	10,442 130,647
Cash Balances at Beginning of Year	214,966	660,603	140,708	19,392 1,035,669
Cash Balances at End of Year	\$ 219,339	\$ 764,077	\$ 153,066	\$ 29,834 \$ 1,166,316
Cash Basis Fund Balances:				
Reserved for Debt Service -----	\$ 93,592	\$ -	\$ 7,144	\$ - \$ 100,736
Unreserved -----	125,747	764,077	145,922	29,834 1,065,580
Total Cash Basis Fund Balances	\$ 219,339	\$ 764,077	\$ 153,066	\$ 29,834 \$ 1,166,316

See Notes to Financial Statements

CITY OF SANBORN, IOWA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Sanborn, Iowa is a political subdivision of the State of Iowa located in O'Brien County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, gas, sewer rental and solid waste collection for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sanborn has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present only the amounts of the City of Sanborn and not its component unit – Sanborn Electric and Telecommunications Utility. Disclosures about the component unit are not included because the component unit has been audited separately, and a report has been issued under separate cover. The audited financial statements are available at the Sanborn Electric and Telecommunications Utility office.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Northwest Iowa Landfill Association, E-911 Board, Northwest Iowa League of Cities Board, Northern Municipal Distributors Group, O'Brien County Economic Development Board, Vector Safety Board and the Northwest Iowa Planning Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for receipts and disbursements relating to local option sales tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

The Sewer Rental Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Collection Fund accounts for the operation and maintenance of the City's solid waste collection activities.

C. Measurement Focus and Basis of Accounting

The City of Sanborn maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public works, debt service and business type activities functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3. For purposes of this report, certificates of deposit are not considered investments as they are subject to withdrawal upon demand.

NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes and revenue notes and bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 225,000	\$ 40,105	\$ 66,000	\$ 47,892	\$ 291,000	\$ 87,997
2009	225,000	33,158	72,000	45,748	297,000	78,906
2010	235,000	24,890	73,000	43,307	308,000	68,197
2011	130,000	16,077	75,000	40,768	205,000	56,845
2012	40,000	10,983	76,000	38,098	116,000	49,081
2013-2017	230,000	29,560	437,000	144,172	667,000	173,732
2018-2022	-	-	359,000	57,760	359,000	57,760
2023-2025	-	-	174,000	10,560	174,000	10,560
Total	<u>\$ 1,085,000</u>	<u>\$ 154,773</u>	<u>\$ 1,332,000</u>	<u>\$ 428,305</u>	<u>\$ 2,417,000</u>	<u>\$ 583,078</u>

The resolutions providing for the issuance of the revenue notes and bonds include the following provisions:

- (a) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water revenue note and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) A deposit in the amount of \$56,978 shall be made to a water revenue note reserve account within the Enterprise Funds upon the delivery of the water revenue notes.
- (d) Additional monthly transfers of \$1,000 to a water improvement account shall be made until a balance of \$25,000 is accumulated. This account is restricted for the purpose of covering any deficiencies in the sinking or reserve accounts, or paying for improvements and extensions of the water utility.

NOTE 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$30,748, \$28,782, and \$26,872, respectively, equal to the required contributions for each year.

NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. Earned but unused sick leave hours are for subsequent use only. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation at June 30, 2007 was \$19,983. This liability has been computed based on rates of pay in effect at June 30, 2007.

NOTE 6 – JOINT VENTURE

The City of Sanborn has a 46% interest in a joint venture with the City of Hartley to provide garbage collection service. The cities participate in the collection of garbage, which is under the general management of one representative of each City Council. The following information summarizes the activity of the joint venture through June 30, 2007:

Cash Balance at July 1, 2006 -----	\$ 6,475
Add Receipts -----	103,869
Less Disbursements -----	(109,825)
Cash Balance at June 30, 2007 -----	<u>\$ 519</u>

The City of Sanborn performs no receipts or disbursements functions for this joint venture. The City of Sanborn has a 46% interest in the assets, property and equipment, equity and net income. The above activity is not included in these financial statements.

NOTE 7 – RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials and relatives totaling \$385,143 during the year ended June 30, 2007.

NOTE 8 – ECONOMIC DEPENDENCY

The Water, Sewer and Gas enterprise funds of the City of Sanborn derived the following receipts from Associated Milk Producers, Inc. for the fiscal year ended June 30, 2007:

	<u>Amount</u>	<u>% of Total</u>
Sale of Water -----	\$ 62,695	32%
Sale of Gas -----	770,889	48%
Sewer Rental Fees and Assessments -----	249,830	62%

NOTE 9 – RISK MANAGEMENT

The City of Sanborn is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise – Gas	\$ 66,000
General	Enterprise – Water	10,000
General	Special Revenue - Local Option Sales Tax	16,000
General	Debt Service	43,576
Debt Service	Special Revenue – Urban Renewal Tax Increment	447,473
Special Revenue:		
Housing Grant	Special Revenue – Local Option Sales Tax	26,499
Employee Benefits	Special Revenue – Local Option Sales Tax	9,000
Enterprise - Gas	Special Revenue – Urban Renewal Tax Increment	<u>28,642</u>
Total		<u>\$ 647,190</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources. Transfers also move available resources from funds to those funds with disbursements that need to be paid.

NOTE 11 - CONSTRUCTION COMMITMENTS

The City has entered into contracts totaling \$919,309 for various capital projects. As of June 30, 2007, the City has future construction commitments of \$549,789.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS)
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS - PRIMARY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds		Proprietary Funds		Total		Budgeted Amounts		Final to Total	
	Actual		Actual		Actual		Original	Final	Variance	
Receipts:										
Property Tax -----	\$ 300,436	\$ -	\$ -	\$ -	\$ 300,436	\$ -	\$ 295,433	\$ 295,433	\$	\$ 5,003
Tax Increment Financing Collections -----	300,923	-	-	-	300,923	-	285,000	285,000		15,923
Other City Tax -----	110,846	-	-	-	110,846	-	85,502	95,502		15,344
Licenses and Permits -----	2,025	-	-	-	2,025	-	2,825	2,825		(800)
Use of Money and Property -----	101,889		35,015		136,904		50,260	57,760		79,144
Intergovernmental -----	339,906	-	-	-	339,906	-	411,225	486,225		(146,319)
Charges for Service -----	147,033		2,320,243		2,467,276		2,355,615	2,355,615		111,661
Special Assessments -----	13,242	-	-	-	13,242	-	8,605	21,105		(7,863)
Miscellaneous -----	95,980	-	-	-	95,980	-	51,250	51,250		44,730
Total Receipts	1,412,280		2,355,258		3,767,538		3,545,715	3,650,715		116,823
Disbursements:										
Public Safety -----	325,424	-	-	-	325,424	-	265,675	340,675		15,251
Public Works -----	193,169	-	-	-	193,169	-	174,900	174,900		(18,269)
Health and Social Services -----	-	-	-	-	-	-	1,000	1,000		1,000
Culture and Recreation -----	662,809	-	-	-	662,809	-	802,060	802,060		139,251
Community and Economic Development -----	110,066	-	-	-	110,066	-	425,750	425,750		315,684
General Government -----	116,409	-	-	-	116,409	-	126,378	126,378		9,969
Debt Service -----	522,856	-	-	-	522,856	-	211,031	211,031		(311,825)
Capital Projects -----	26,337	-	-	-	26,337	-	637,500	750,000		723,663
Business Type Activities -----	-		2,177,253		2,177,253		2,101,900	2,101,900		(75,353)
Total Disbursements	1,957,070		2,177,253		4,134,323		4,746,194	4,933,694		799,371
Excess (Deficiency) of Receipts Over (Under) Disbursements	(544,790)		178,005		(366,785)		(1,200,479)	(1,282,979)		916,194
Other Financing Sources, Net	767,746		(47,358)		720,388		700,000	750,000		(29,612)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	222,956		130,647		353,603		(500,479)	(532,979)		886,582
Balance - Beginning of Period	1,137,064		1,035,669		2,172,733		1,506,481	1,506,481		666,252
Balance - End of Period	\$ 1,360,020		\$ 1,166,316		\$ 2,526,336		\$ 1,006,002	\$ 973,502		\$ 1,552,834

CITY OF SANBORN, IOWA**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING****JUNE 30, 2007**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements, known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$187,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public works, debt service and business type activities functions.

OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue					
	Low - Moderate Housing	Housing Grant	Day Care / Preschool Grant	Employee Benefits	Development	Total
Receipts:						
Property Tax -----	\$ -	\$ -	\$ -	\$ 60,489	\$ -	\$ 60,489
Use of Money and Property -----	433	-	-	-	8,249	8,682
Intergovernmental -----	-	27,069	-	-	-	27,069
Miscellaneous -----	-	-	-	-	47,000	47,000
Total Receipts	433	27,069	-	60,489	55,249	143,240
Disbursements:						
Operating:						
Public Safety -----	-	-	-	34,886	-	34,886
Public Works -----	-	-	-	15,884	-	15,884
Culture and Recreation -----	-	-	-	14,217	-	14,217
Community and Economic Development -----	-	53,568	-	-	11,336	64,904
General Government -----	-	-	-	4,333	-	4,333
Total Disbursements	-	53,568	-	69,320	11,336	134,224
Excess (Deficiency) of Receipts Over (Under) Disbursements	433	(26,499)	-	(8,831)	43,913	9,016
Other Financing Sources (Uses):						
Operating Transfers In (Out) -----	-	26,499	-	9,000	-	35,499
Net Change in Cash Balances	433	-	-	169	43,913	44,515
Cash Balances Beginning of Year	12,325	-	-	787	197,164	210,276
Cash Balances End of Year	\$ 12,758	\$ -	\$ -	\$ 956	\$ 241,077	\$ 254,791
Cash Basis Fund Balances:						
Unreserved:						
Special Revenue Funds -----	\$ 12,758	\$ -	\$ -	\$ 956	\$ 241,077	\$ 254,791

SCHEDULE OF INDEBTEDNESS - PRIMARY GOVERNMENT
YEAR ENDED JUNE 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes:									
Street and Utility Improvements -----	July 1, 1999	4.20% - 5.00%	\$ 600,000	\$ 255,000	\$ -	\$ 255,000	\$ -	\$ 12,848	\$ -
Street and Storm Sewer Improvements --	July 1, 2000	5.20% - 5.70%	300,000	150,000	-	150,000	-	8,695	-
Street and Utility Improvements -----	June 15, 2004	1.90% - 3.95%	585,000	430,000	-	80,000	350,000	15,113	-
Street and Utility Improvements and Refunding of Notes -----	June 15, 2007	3.75% - 4.20%	735,000	-	735,000	-	735,000	-	-
Total General Obligation Bonds and Notes			\$ 835,000	\$ 735,000	\$ 485,000	\$ 1,085,000	\$ 36,656	\$ -	\$ -
Revenue Bonds and Notes:									
Sewer -----	June 9, 2004	3.00%	916,000	\$ 882,000	\$ -	\$ 35,000	\$ 847,000	\$ 26,460	\$ -
Water -----	June 15, 2004	2.15% - 5.30%	575,000	515,000	-	30,000	485,000	23,442	-
Total Revenue Bonds and Notes			\$ 1,397,000	\$ -	\$ 65,000	\$ 1,332,000	\$ 49,902	\$ -	\$ -

BOND AND NOTE MATURITIES - PRIMARY GOVERNMENT
JUNE 30, 2007

General Obligation Bonds and Notes for Street and Utility Improvements and Refunding of Notes					
Year Ending June 30,	Date of Issue June 15, 2004		Date of Issue June 15, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	
2008	3.30%	\$ 85,000	3.75%	\$ 140,000	\$ 225,000
2009	3.55%	85,000	3.75%	140,000	225,000
2010	3.75%	90,000	3.75%	145,000	235,000
2011	3.95%	90,000	3.85%	40,000	130,000
2012	-	-	3.90%	40,000	40,000
2013	-	-	3.95%	40,000	40,000
2014	-	-	4.05%	45,000	45,000
2015	-	-	4.10%	45,000	45,000
2016	-	-	4.15%	50,000	50,000
2017	-	-	4.20%	50,000	50,000
		<u>\$ 350,000</u>		<u>\$ 735,000</u>	<u>\$ 1,085,000</u>

Revenue Bonds and Notes					
Year Ending June 30,	Water		Sewer		Total
	Date of Issue June 15, 2004		Date of Issue June 9, 2004		
	Interest Rates	Amount	Interest Rates	Amount	
2008	3.55%	\$ 30,000	3.00%	\$ 36,000	\$ 66,000
2009	3.80%	35,000	3.00%	37,000	72,000
2010	4.00%	35,000	3.00%	38,000	73,000
2011	4.20%	35,000	3.00%	40,000	75,000
2012	4.40%	35,000	3.00%	41,000	76,000
2013	4.55%	40,000	3.00%	42,000	82,000
2014	4.70%	40,000	3.00%	43,000	83,000
2015	4.85%	45,000	3.00%	44,000	89,000
2016	5.00%	45,000	3.00%	46,000	91,000
2017	5.10%	45,000	3.00%	47,000	92,000
2018	5.20%	50,000	3.00%	49,000	99,000
2019	5.30%	50,000	3.00%	50,000	100,000
2020		-	3.00%	52,000	52,000
2021		-	3.00%	53,000	53,000
2022		-	3.00%	55,000	55,000
2023		-	3.00%	56,000	56,000
2024		-	3.00%	58,000	58,000
2025		-	3.00%	60,000	60,000
		\$ 485,000		\$ 847,000	\$ 1,332,000

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS**

	Years Ended June 30,			
	2007	2006	2005	2004
Receipts:				
Property Tax -----	\$ 300,436	\$ 307,930	\$ 310,156	\$ 318,618
Tax Increment Financing Collections -----	300,923	274,714	268,794	251,102
Other City Tax -----	110,846	86,993	86,705	83,314
Licenses and Permits -----	2,025	2,640	2,295	2,617
Use of Money and Property -----	101,889	85,642	65,244	57,984
Intergovernmental -----	339,906	270,420	410,820	337,336
Charges for Service -----	147,033	140,143	136,521	145,180
Special Assessments -----	13,242	19,142	24,963	77,065
Miscellaneous -----	95,980	255,115	370,801	53,799
Total Receipts	\$ 1,412,280	\$ 1,442,739	\$ 1,676,299	\$ 1,327,015
Disbursements:				
Operating:				
Public Safety -----	\$ 325,424	\$ 156,047	\$ 205,530	\$ 182,565
Public Works -----	193,169	158,089	163,125	609,805
Health and Social Services -----	-	-	-	1,000
Culture and Recreation -----	662,809	263,336	286,071	253,035
Community and Economic Development -----	110,066	115,815	302,720	442,190
General Government -----	116,409	109,260	131,803	154,852
Debt Service -----	522,856	213,768	208,664	232,014
Capital Projects -----	26,337	430,159	21,103	-
Total Disbursements	\$ 1,957,070	\$ 1,446,474	\$ 1,319,016	\$ 1,875,461

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sanborn, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's primary government financial statements listed in the table of contents, and have issued our report thereon dated September 12, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

Business services that save you money:

- Business & individual tax preparation • Mid-year tax planning • Year-round tax planning
- Pension, estate & retirement planning • Budgeting & financial planning • Financial projections
- Small business management help • Computer consulting • IRS representation • Litigation support

For your convenience:

- Direct access to the principle ... always • Short phone consultations at no cost
- Early morning, evening & Saturday hours • Ten-day turnaround on financial statements
- Meetings at your place or ours

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

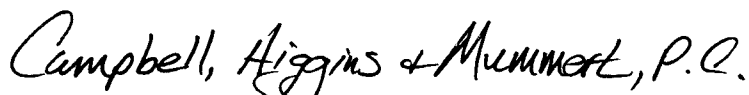
As part of obtaining reasonable assurance about whether the City's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the primary government financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sanborn and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



CAMPBELL, HIGGINS & MUMMERT, P.C.
Certified Public Accountants

September 12, 2007

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Reportable Conditions:

I-A-07 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one employee performs most of the accounting functions of the City.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will try to segregate duties between office staff by reviewing operating procedures to have more internal control.

Conclusion – Response accepted.

I-B-07 Financial Reporting – During the audit, we identified and proposed an adjusting entry which was material in amount relating to the library fund certificates of deposit balances and the related interest income. An adjustment was subsequently made by City personnel to correct these items.

Recommendation - The City should implement procedures to ensure that all account balances are properly recorded.

Response – The City will implement procedures to ensure account balances are properly recorded.

Conclusion – Response accepted.

Part II: Findings Related to Statutory Reporting:

II-A-07 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution do not appear to have been exceeded during the year ended June 30, 2007.

II-B-07 Certified Budget – Although the budget was amended on May 14, 2007, the amendment occurred after disbursements exceeded the original budget for the public safety function. Also, total disbursements for the year ended June 30, 2007 exceeded the amounts budgeted (per the amended budget) in the public works, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – Although the budget was amended in accordance with Chapter 384.18 of the Code of Iowa, care should have been taken to ensure that the amendment is done prior to disbursements exceeding the original budget and that the amendment is sufficient to prevent disbursements from exceeding the amended budget.

Response – The City will try to amend the budget before disbursements are exceeded and will make sure the amended budget has disbursements high enough not to exceed the budget.

Conclusion – Response accepted.

II-C-07 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Edwin Visser, Council Member, Son and daughter-in-law own Visser Gravel & Excavating, Inc.	Materials and Contract Services	\$ 6,653
Alvina Reitsma, Librarian, Brother-in-law owns Reitsma Home Improvement	Construction of Library Building, per bid	\$378,490

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with Visser Gravel & Excavating, Inc. may represent a possible conflict of interest since total transactions were more than \$2,500 during the fiscal year. The transactions with Reitsma Home Improvement do not appear to represent a conflict of interest since they were entered into through competitive bidding.

Recommendation – The City should consult legal counsel to determine the disposition of the matter with Visser Gravel & Excavating, Inc.

Response – The City will try to split work amongst different companies to reduce business transactions between the City and City officials' affiliations and will check with legal counsel on this situation to find out if it is a problem.

Conclusion – Response accepted.

II-F-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-07 Revenue Notes – The City has complied with the revenue bond and note resolutions.

II-J-07 Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City receives and retains only a copy of the front of each cancelled check.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City will contact the bank to obtain images of both the front and back of each cancelled check as required.

Conclusion – Response accepted.